

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 2288 - HB 2424

March 11, 2012

SUMMARY OF BILL: Enacts the “County Finance Officer Certification and Education Act of 2012”. This act requires counties to employ or contract with a certified county finance officer (CCFO), certified government finance manager (CGFM), certified public finance officer (CPFO), or a licensed certified public accountant (CPA), with five years of primarily governmental experience, for financial oversight of the county. The University of Tennessee’s County Technical Assistance Service (CTAS) will administer training for certification of the financial officers, as well as administer the annual continuing education requirements. In counties with gross revenues over \$50,000,000, compliance is required by January 1, 2017. In counties with less than \$50,000,000 in gross revenue, compliance is required by January 1, 2018. Creates a civil penalty of \$50 per day for any county to be in violation of the established requirements.

ESTIMATED FISCAL IMPACT:

Increase State Revenue - \$100,000/FY14-15

\$30,000/FY15-16 and Subsequent Years

Increase State Expenditures - \$674,000/FY12-13

\$599,000/FY13-14 and Subsequent Years

Increase Local Expenditures - \$100,000/FY14-15*

\$30,000/FY15-16 and Subsequent Years*

Assumptions:

- Pursuant to Tenn. Code Ann. § 49-9-402, CTAS is considered an institute for public service.
- Pursuant to Tenn. Code Ann. § 49-9-401 (b)(2), institutes for public service are funded with state funds via the general appropriations act.
- CTAS currently provides training and technical assistance to county officials in all 95 counties, and with the approval of the Comptroller of the Treasury, will develop a curriculum, including testing, which will lead to the designation of “certified county finance officer.”

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- The curriculum will include course work, testing, and lab work, including a number of topics relating to county finance.
- Training and testing will be administered by the CTAS staff or individual contractors approved by the Comptroller.
- According to the Tennessee Higher Education Committee (THEC), CTAS, and the Comptroller's office, the implementation of the Act will require CTAS to hire additional personnel resulting in a recurring increase in state expenditures for CTAS.
- CTAS will need five additional positions including one training consultant and four finance consultants. The recurring increase in state expenditures is estimated to be \$399,000 [(\$60,000 salary + \$19,800 benefits) x 5 positions].
- CTAS will require \$75,000 in one-time state expenditures, which includes \$25,000 for office supplies, furniture, computers, and training equipment; and \$50,000 for start-up curriculum development.
- CTAS will incur an additional recurring increase in expenditures of \$200,000 for any contracted instructors; curriculum designers; recurring operating costs; travel expenses for staff; venue rental; design, publication, and duplication of training manuals; and other supplies.
- All counties are required to comply either by January 1, 2017, or by January 1, 2018, depending upon gross county revenue.
- According to CTAS, after receipt of appropriations, it will take at least 18-24 months to hire staff and develop classes for certification. Therefore, CTAS will require the additional resources beginning in FY12-13 in order to begin development of courses, materials, and hiring of additional staff.
- The total increase in state expenditures for FY12-13 is estimated to be \$674,000 (\$399,000 + \$75,000 + \$200,000).
- The total recurring increase in state expenditures beginning in FY13-14 is estimated to be \$599,000 (\$399,000 + \$200,000).
- Any increase in state revenue derived from tuition or fee revenue for the cost of taking courses will not be realized until FY14-15.
- The legislation requires 80 hours of initial course work for certification, followed by at least 24 hours of continuing education each year to maintain certification.
- The following are exempt from the initial certification and will only be required to maintain the 24 hours of continuing education each year: certified government finance manager (CGFM), certified public finance officer (CPFO), or a licensed certified public accountant (CPA) with five years of primarily governmental experience.
- There will be a one-time increase in local government expenditures of \$100,000 for counties to comply with the initial certification requirements for finance officers in training (\$500 per finance officer x 200 estimated participants). This one-time increase in local government expenditures will result in an equal corresponding increase in state revenue.
- There will be a recurring increase in local government expenditures of \$30,000 for county officials complying with continuing education requirements (\$150 per finance officer x 200 estimated participants). This recurring increase in local government expenditures will result in an equal corresponding increase in state revenue.

- Any revenue collected from assessed civil penalties associated with non-compliance will be not significant.

*Article II, Section 24 of the Tennessee Constitution provides that: *no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise".

Lucian D. Geise, Executive Director

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